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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

WASHINGTON, DC 20510-6350

August 1, 2002

BY FACSIMILE
ORIGINALS BY U.S. MAIL

Ms. Pamela Olson
Acting Assistant Secretary for Tax Policy
U.S. Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

The Honorable Charles O. Rossotti
Commissioner
Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224

Dear Acting Assistant Secretary Olson and Commissioner Rossotti:

The proposed regulations recently issued by the Treasury Department and the Internal Revenue Service (IRS) to change a long-standing exemption to a variety of fuel and highway-vehicle excise taxes (REG-103829-99, 67 Fed. Reg. 38,913 (June 6, 2002)) threaten to impose significant hardship on many small businesses. From reports that I have received from the small business community, these proposed regulations will result in substantially higher taxes and increased compliance burdens for affected small enterprises.

Because the proposed regulations deal with relatively obscure and complex tax rules, I am concerned that affected small businesses may not be aware of the changes the Treasury and the IRS are proposing. In addition, the preamble to the proposed regulations does not indicate that the IRS has certified that these changes will not have "a significant economic impact on a substantial number of small entities," as required by the Regulatory Flexibility Act for an agency to avoid performing the Initial Regulatory Flexibility Analysis and other requirements of the Act. (See 5 U.S.C. § 605). Indeed, I understand that the proposed regulations will have far-reaching consequences for the commercial construction, equipment leasing, mining, logging, oil and water drilling, and utility industries, to name a few. Small enterprises using mobile heavy equipment play a significant role in these industries and must have an opportunity to weigh in on the ramifications of the proposed regulations.

As the Ranking Member of the Committee on Small Business and Entrepreneurship, I am currently working with the Chief Counsel for Advocacy at the Small Business Administration and interested small business advocacy groups to ensure that affected businesses are notified of

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these proposed rules and have an opportunity to provide comments. These efforts, however, cannot be accomplished over night.

Accordingly, I respectfully request that you extend the September 4, 2002 deadline for comments on the proposed regulations by at least 90 days. Given that there has not been any statutory modification or recent judicial decision requiring the changes in the proposed regulations, I do not believe such a delay would prejudice the IRS' efforts to administer the relevant provisions of the tax code.

Thank you for your consideration of my request. I would appreciate being advised by August 16, 2002 of your decision concerning the extension of the comment deadline. If you have any questions or need additional information, please do not hesitate to contact me or have your staff call Mark Warren, my Tax Counsel on the Committee on Small Business and Entrepreneurship, at 202/224-

Sincerely,

A handwritten signature in dark ink, appearing to read "Chris Bond", written over a horizontal line.

Christopher S. Bond
Ranking Member